MUSTERA
PROPERTY GROUP LTD

ABN 13 142 375 522

ANNUAL REPORT – 30 JUNE 2017

CORPORATE DIRECTORY

DIRECTORS

Mr Nicholas Zborowski (Executive Director)
Mr Anthony Ho (Non-Executive Director)
Mr Benjamin Young (Non-Executive Director)
Mr Jack Spencer-Cotton (Non-Executive Director)

COMPANY SECRETARY

Mr Kim Hogg

REGISTERED OFFICE

79 Broadway
NEDLANDS WA 6009
Telephone: (61 8) 6389 2688
Facsimile: (61 8) 6389 2588

PRINCIPAL PLACE OF BUSINESS

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North Fremantle WA 6159
Telephone: (61 8) 9386 7069
Facsimile: (61 8) 6389 0635
Website: www.mustera.com.au

AUDITOR

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38 Station Street
SUBIACO WA 6008

SHARE REGISTRY

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NEDLANDS WA 6009
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Telephone: +61 8 9389 8033
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SOLICITOR

Borrello Graham
Level 14
225 St Georges Terrace,
PERTH WA 6000

STOCK EXCHANGE

ASX Limited
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2 The Esplanade
PERTH WA 6000

ASX Code: MPX

BANKERS

Commonwealth Bank of Australia
Level 1, 380A Scarborough Beach Road
Innaloo WA 6018

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DIRECTORS' REPORT

*The Directors present their report together with the consolidated financial statements of the Group comprising of Mustera Property Group Ltd (the **Company** or **Parent Entity**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the year ended 30 June 2017 and the auditor's report thereon.*

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr Nicholas Zborowski
Executive Director, B.Com – appointed 10 June 2014

Mr Zborowski has more than 15 years' experience in the property development and funds management industry and has managed a diverse range of projects and portfolios in Australia, Europe and the MENA region.

Prior to commencing work with Mustera in January 2014, Mr Zborowski was Managing Director at Quintessential Places Pty Ltd, a Sydney-based development and investment company. He has also held senior roles with Charter Hall, Tourism Development Investment Company (TDIC), Emaar Malls Group and Australand.

Mr Zborowski has a Bachelor of Commerce with a major in Property from Curtin University, Western Australia.

Mr Anthony Ho
Non-Executive Director, B.Com – appointed 3 April 2014

Mr Ho is a commerce graduate of the University of Western Australia. He qualified as a Chartered Accountant in 1983 with Deloitte and is presently the principal of a public practice, Anthony Ho and Associates, specialising in providing corporate and financial services to ASX-listed companies.

Prior to establishing his practice in 1991, he spent 7 years in a senior corporate role with a major investment and resource group in Western Australia. He is currently a director of a number of companies listed on ASX.

Mr Ho is Chairman of the Audit Committee.

Mr Benjamin Young
Non-Executive Director, B.Bus – appointed 23 November 2011

Mr Young is the founder and former Managing Director of Mustera, and has a wealth of experience in financial markets.

Mr Young has held senior positions with major banks including Westpac and ANZ both in Australia and overseas. His last position in the financial markets was as the Director, Head of Trading of American Express Bank, Jakarta, Indonesia.

Mr Young has a Bachelor of Business Degree with a Major in Finance and Sub-Major in Banking from Edith Cowan University, Western Australia.

Mr Young is a member of the Audit Committee.

Mr Young will retire by rotation and will be seeking re-election by shareholders at the 2017 Annual General Meeting.

Mr Jack Spencer-Cotton
Non-Executive Director - appointed 4 April 2014

Mr Spencer-Cotton has been involved in the field of engineering for over 20 years. Engineering and technology are both a passion and career, which have given him a range of roles. He is experienced in engineering design, project planning, and team management in large scale projects.

He is presently a capital projects engineer at Pfizer Perth.

COMPANY SECRETARY

Mr Kim Hogg, B.Com – Appointed 3 April 2014

Mr Hogg completed his Bachelor of Commerce in 1984 at the University of Western Australia and has worked in a number of diverse industries in various senior management and accounting roles. He has been a principal of an accounting practice for more than 20 years with a specialist involvement in the preparation of prospectuses, coordinating the listing and due diligence processes and acting as company secretary for listed entities.

Mr Hogg is currently the secretary of a number of ASX-listed companies providing corporate and accounting advice and services to those clients.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship From	To
Nicholas Zborowski	Not Applicable	-	-
Anthony Ho	Alchemy Resources Limited	2011	Present
	Australian Agricultural Projects Limited	2003	Present
	Newfield Resources Limited	September 2011	Present
	Glory Resources Limited (now de-listed)	February 2014	March 2016
	Siburan Resources Limited	November 2009	November 2014
Benjamin Young	Not Applicable	-	-
Jack Spencer-Cotton	Not Applicable	-	-

DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

Director	Shares	Options
Nicholas Zborowski	10,000	6,000,000
Anthony Ho	2,000,000	500,000
Benjamin Young	362,509	1,000,000
Jack Spencer-Cotton	133,000	1,500,000

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	Board		Audit Committee	
Director	Held	Attended	Held	Attended
Nicholas Zborowski	5	5	n/a	n/a
Anthony Ho	5	4	1	1
Benjamin Young	5	5	1	1
Jack Spencer-Cotton	5	5	n/a	n/a

PRINCIPAL ACTIVITY

The principal activity of the Group during the financial year was property investment and development.

REVIEW OF OPERATIONS

The Group recorded an after tax profit of $808,872 for the financial year, in alignment with the Directors' expectations.

The result is attributed to the successful completion of the Victoria Quarter project and related sales of approximately 60% of the residential apartments, as well as the commercial units. Revenue of approximately $17.4 million was recorded during the year, reflecting a gross profit margin of approximately $3.8 million.

During the year the Group continued with its core operating activities including the development of residential and mixed-use projects and the acquisition of new development sites in Perth, Western Australia. The Group made the following acquisitions during the year including:

- 10 Forbes Road, Applecross WA;
- 12-14 Forbes Road and 40 A, B, and C Kishorn Road, Applecross WA; and
- 15 McCabe Street, North Fremantle WA.

Further details of the Group's projects and operations are outlined below.

Completed Projects

Victoria Quarter – Lot 803 Foundry Road, Midland WA – Completion of the Victoria Quarter project occurred during the year, followed by the sale of 40 residential apartments and the commercial units. Sales revenue of approximately $16.4 million was recorded reflecting a gross profit margin of approximately $2.9 million. One apartment was under contract at 30 June 2017.

The 30 unsold apartments with a gross realizable value of approximately $12.6 million continue to be marketed for sale. An active sales strategy is ongoing with an additional three apartments having been put under contract subsequent to 30 June 2017 (Further details are set out in Note 30 to these accounts).

Future Projects

Grace Quarter - Lot 801 Helena Street, Midland WA – A development approval was received in October 2016 for 67 apartments and two restaurants / café tenancies.

Due diligence is ongoing for this project including considerations of alternative development themes for this site. It is expected that any variation to the current scheme will deliver a similar commercial outcome.

75 Haig Park Circle, East Perth WA - The property comprises a 2,233m^2 site and is situated near the corner of Plain Street and Royal Street, 1.5 km from the Perth Central Business District. Improvements include an open air at-grade car park with fifty car bays. The property is currently leased to Wilson Parking Australia 1992 Pty Ltd for short-term public parking.

During the reporting period, the Group progressed with its planning and approvals for the property with the City of Perth Council (the City). The City has resolved to support the development of the property for appropriate land uses and has agreed to the preparation of an amendment to the City Planning Scheme No.2 and the local Planning Scheme No. 26 in relation to the property.

In addition, the Council has advised of its support for the discharge of the restrictive covenant over the property once suitable planning provisions for the site's future development were in place. Suitable planning provisions will be prepared by the City in consultation with the key stakeholders, over the next 6 months.

Consistent with the Group's strategy, holding income is being generated from the leased property whilst development planning and approvals are being undertaken.

82 Belmont Avenue, Rivervale WA – The property comprises office and warehouse improvements of approximately 2,309m^2 on a site area of 4,031m^2, located at the intersection of Belmont Avenue and Campbell Street, Rivervale.

Upgrades to the office and warehouse improvements, including the fixed plant and equipment, have been undertaken during the year. In addition, the Group altered the leasing arrangements by surrendering the head lease over the property and executed direct leases with the sub-lessees, improving the lease covenants and control over the tenants.

With the upgrade to the fixed plant and equipment and the new leases in place, the Group is considering the options for the property including future development or possible divestment of the property.

New Acquisitions

15 McCabe Street, North Fremantle WA –The property was purchased during the period for $5.4 million. The property, with direct ocean and river views, comprises office and warehouse improvements of approximately 2,250m^2 over two levels, on a site area of 2,398m^2.

The Group is continuing with its due diligence and feasibility studies and has had several meetings with the City of Fremantle to discuss the planning and approvals required for the property. A structure plan is currently being prepared for submission to the City of Fremantle in the first half of 2018.

Consistent with the Group's strategy, holding income is being generated from the leased property whilst development planning is being undertaken.

10 – 14 Forbes Road and 40 A, B, C Kishorn Road, Applecross WA - The Group entered into unconditional contracts to acquire the Applecross properties for $7.61 million in May 2017.

The adjacent properties are located 8 km from Perth's CBD in Applecross, one of Perth's most affluent suburbs. The property site is within walking distance to the Swan and Canning River foreshores, including multiple food and beverage and retail amenity. Existing public infrastructure, including road and rail networks, are also in close proximity, providing easy access to the CBD, schools, universities and shopping precincts.

Design works for the development are anticipated to commence shortly after settlement with the ground floor anticipated to be a commercial use with the upper floors being residential. The design will reflect the precinct's vision with particular focus on creating a high contemporary standard of amenities and lifestyle facilities for residents. On completion, the development will offer expansive views of the Swan River and the Perth city skyline.

Settlement on the acquisition of 10 Forbes Road and 12-14 Forbes Road plus 40 A, B, C, Kishorn Road, Applecross occurred on 7 July 2017 and 16 August 2017 respectively. On completion of settlement the Company holds 80% of the shares in the holding entity of these properties. (Further details are set out in Note 30 to these accounts).

Investment Property

239-251 Woodpark Road, Smithfield NSW – During the reporting period, the property at 239-251 Woodpark Road, Smithfield was sold for $7.3 million. Settlement occurred in September 2016. The property was acquired in 2012 for $5.9 million.

Corporate

As part of an incentive compensation policy, the Company, following shareholder approval, granted 3 million options exercisable at 37 cents each before 30 September 2021 to Directors. In addition to the incentive element to these options, the Company also regarded this to be an effective way to compensate Directors without incurring significant cash costs.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In addition to settlement of the Applecross properties (refer section above on 10 Forbes Road and 12-14 Forbes Road plus 40 A, B, C, Kishorn Road, Applecross), three residential apartments in the Victoria Quarter project have been put under contract subsequent to 30 June 2017 reflecting a gross realizable value of $1.1 million. Further details are set out in Note 30 to these accounts.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group undertook a number of major transactions during the financial year, including:

- Completion of the development of the Victoria Quarter – Lot 803 Foundry Road, Midland WA in late 2016. A total of 40 apartments have been sold, with 30 remaining. The associated debt funding taken out for construction has been retired.
- the acquisition of the development property at 15 McCabe Street, North Fremantle WA for $5.4 million in December 2016; and
- the sale of the investment property at 239-251 Woodpark Road, Smithfield NSW in September 2016 for $7.3 million, and the retirement of an associated debt facility.

Total shares on issue at 30 June 2017 were 91,416,942 (2016: 91,416,942).

LIKELY DEVELOPMENTS

The Group will continue to develop its existing projects and review and assess other acquisition and development opportunities in the property market.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

ENVIRONMENTAL REGULATION

The Directors are not aware of any particular and significant environment regulation under a law of the Commonwealth, State or Territory relevant to the Group.

SHARE OPTIONS

The following options were granted since the end of the previous financial year:

Grant date	Expiry date	Exercise Price	Number of Options
21 October 2016	30 September 2021	$0.37	3,000,000

No options were exercised during or since the end of the financial year.

At the date of this report, unissued ordinary shares of the Company under option are:

Grant date	Expiry date	Exercise Price	Number of Options
31 January 2014	31 January 2018	$0.20	11,000,000
21 October 2016	30 September 2021	$0.37	3,000,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current Directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

INDEMNIFICATION AND INSURANCE OF AUDITORS

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

REMUNERATION REPORT - AUDITED

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Key management personnel

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Nicholas Zborowski	Executive Director
Anthony Ho	Non-executive Director
Benjamin Young	Non-executive Director
Jack Spencer-Cotton	Non-executive Director
Chee Onn Kon	Director – Sterlink Development Pty Ltd

Principles of remuneration

The remuneration structures explained below are competitively set to attract, motivate and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Group's performance including:
  - the growth in share price; and
  - the amount of incentives within each key management person's compensation.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration is determined by the Board as a whole as the Company has not yet established a remuneration committee.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by shareholders in general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at a meeting held in April 2014, is not to exceed $300,000 per annum. Directors' fees cover all main board activities and membership of committees if applicable.

Non-executive directors do not receive any retirement benefits, other than statutory superannuation, nor do they receive any performance-related compensation.

Non-executive directors' fees as at the reporting date are as follow:

Name	Non-executive directors' fees
A Ho	$20,000 per annum
B Young	$20,000 per annum plus statutory superannuation
J Spencer-Cotton	$20,000 per annum plus statutory superannuation

REMUNERATION REPORT - AUDITED (continued)

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of the employment agreement with Executive directors are provided below.

Executive directors may receive performance-related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Board through a process that considers individual and overall performance of the Group.

Performance-linked compensation

In recognition of the efforts of Mr Nicholas Zborowski and Mr Benjamin Young in bringing the sale of the Company's Smithfield Property to a successful conclusion, Messrs Zborowski and Young were granted a cash bonus of $25,000 each on 31 August 2016 at the Directors' discretion, of which 100% have been paid during the year.

The Group does not have any formal bonus scheme in place. Bonus granted in the current period was a one-off payment and the Group does not have any ongoing commitment to pay bonus.

Long-term incentive

Long-term incentives (**LTI**) may be provided to key management personnel in the form of options over ordinary shares of the Company. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to directors subject to approval by shareholders in general meeting.

Following shareholder approval at the Company's 2016 AGM, all directors were granted options over ordinary shares, details of which are shown later in this Remuneration Report.

The Company has introduced a policy that prohibits employees and Directors of the Company from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.

Consequence of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2017	**2016**	**2015**	**2014**	**2013**
Net profit/(loss) for the year	$808,872	($35,130)	$403,391	$8,225	$1,218
Dividends paid	Nil	Nil	Nil	Nil	Nil
Closing share price (30 June)	$0.28	$0.23	$0.27	$0.15	$0.00001
Earnings/(loss) per share (cents)	0.88	(0.04)	0.51	0.018	1.48
Weighted average shares on issue	91,416,942	89,323,363	78,775,904	46,945,205	82,194

Use of remuneration consultants

The Group did not engage the services of a remuneration consultant during the year.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')

At the 2016 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT - AUDITED (continued)

Employment agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Other major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the Corporations Act 2001 such that they do not require shareholder approval.

Name	Commencement Date	Term of agreement and notice period*	Base salary including superannuation	Termination payments
N Zborowski	1 July 2014	No fixed term 3 months	$164,250	Nil
C Kon	1 October 2014	No fixed term 3 months	$153,300	Nil

* The notice period applies equally to either party

Remuneration of key management personnel

		SHORT-TERM			POST-EMPLOY-MENT	SHARE-BASED PAYMENTS			
		Salary & fees* $	STI cash bonus $	Annual Leave $	Super-annuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-executive Directors									
A Ho	2017	20,000	-	-	-	4,252	24,252	-	17.5%
	2016	20,000	-	-	-	-	20,000	-	-
B Young	2017	20,000	25,000	-	4,275	8,503	57,778	47.4%	14.7%
	2016	20,000	-	-	1,900	-	21,900	-	-
J Spencer-Cotton	2017	20,000	-	-	1,900	4,252	26,152	-	16.3%
	2016	20,000	-	-	1,900	-	21,900	-	-
Executive Director									
N Zborowski	2017	150,000	25,000	(11,538)	16,625	8,503	188,590	14.5%	4.5%
	2016	150,000	-	4,731	14,250	-	168,981	-	-
Other KMPs									
C Kon	2017	140,000	-	512	13,300	-	153,812	-	-
	2016	140,000		3,070	13,300	-	156,370	-	-
Total	**2017**	**350,000**	**50,000**	**(11,026)**	**36,100**	**25,510**	**450,584**	**11.1%**	**5.7%**
	2016	**350,000**	**-**	**7,801**	**31,350**	**-**	**389,151**	**-**	**-**

** Includes non-monetary benefits as per Corporations Regulation 2M.3.03(1) Item 6*

Share-based remuneration

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Name of KMP	Grant date	Expiry date	Exercise Price	Fair value per option at grant date	Number of options granted	Number of options vested
N Zborowski	21 October 2016	30 September 2021	$0.37	0.85 cents	1,000,000	1,000,000
A Ho	21 October 2016	30 September 2021	$0.37	0.85 cents	500,000	500,000
B Young	21 October 2016	30 September 2021	$0.37	0.85 cents	1,000,000	1,000,000
J Spencer-Cotton	21 October 2016	30 September 2021	$0.37	0.85 cents	500,000	500,000

The grant of the above options to key management person was not linked to any specific performance criteria and was granted at Directors' discretion. None of the above options were exercised or forfeited during the financial year.

REMUNERATION REPORT - AUDITED (continued)

Loans to key management personnel

There were no loans provided to key management personnel of the Group or their close family members or entities related to them during the financial year.

Other transactions with key management personnel

Mr N Zborowski is a Director and shareholder of Quintessential Places Pty Ltd (**Quintessential**). During the financial year, Quintessential has provided property development services to the Group on normal commercial terms and conditions. Total amount recognised during the financial year relating to these transactions were $83,580.

A Director, Mr A Ho, is a partner in the firm of Anthony Ho & Associates. During the financial year, Anthony Ho & Associates has provided secretarial related services to the Group on normal commercial terms and conditions. Total amount recognised during the financial year relating to these transactions were $36,000.

Mr B Young is a Director and shareholder of Townshend Capital Pty Ltd (**Townshend Capital**). During the financial year, Townshend Capital has provided corporate advisory services to the Group on normal commercial terms and conditions. Total amount recognised during the financial year relating to these transactions were $90,000. Mr Young is also a Director and shareholder of Goodrich Capital Pty Ltd (**Goodrich**) and Kingsfield Pty Ltd (**Kingsfield**). During the financial year, Goodrich and Kingsfield have both purchased properties from the Group on normal commercial terms and conditions. Total amount recognised during the financial year relating to these transactions were $764,900.

Movement in key management personnel equity holdings

Fully paid ordinary shares

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 1 July 2016	Granted as remuneration	Additions	Disposals/Other	Held at 30 June 2017
N Zborowski	10,000	-	-	-	10,000
A Ho	2,000,000	-	-	-	2,000,000
B Young	362,509	-	-	-	362,509
J Spencer-Cotton	133,000	-	-	-	133,000
C Kon	-	-	-	-	-

Options over ordinary shares

The movement during the reporting period in the number of options over ordinary shares held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 1 July 2016	Granted as remuneration	Exercised	Disposals/ Other	Held at 30 June 2017	Vested during the year	Vested and exercisable at 30 June 2017
N Zborowski	5,000,000	1,000,000	-	-	6,000,000	1,000,000	6,000,000
A Ho	-	500,000	-	-	500,000	500,000	500,000
B Young	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
J Spencer-Cotton	1,000,000	500,000	-	-	1,500,000	500,000	1,500,000
C Kon	5,000,000	-	-	(2,000,000)	3,000,000	-	3,000,000

This concludes the remuneration report, which has been audited.

NON AUDIT SERIVCES

During the year the Group's auditor, BDO Audit (WA) Pty Ltd, has performed certain other services in addition to the audit and review of the financial statements.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amount paid to the auditor of the parent entity, BDO Audit (WA) Pty Ltd, and its network firms for non-audit services provided during the year are set out below:

	2017 $	2016 $
Services other than audit and review of financial statements:		
Tax compliance services	27,189	-
Total remuneration for non-audit services	**27,189**	**-**

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46 and forms part of the Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

CORPORATE GOVERNANCE

A copy of the Group's corporate governance statement can be found on the Company's website at http://mustera.com.au/corporate-governance.

This Directors' Report is made out in accordance with a resolution of the Directors:

Nicholas Zborowski
Director
Dated at Perth this 31st day of August 2017.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	5	17,448,684	1,511,698
Cost of sales		(13,632,333)	-
Gross Profit		3,816,351	1,511,698
Other income	6	-	50,000
Property expenses and outgoings		(700,296)	(386,877)
Property development costs		(582,086)	(54,158)
Employee benefits expenses		(472,729)	(357,099)
Administration and overhead costs		(373,588)	(348,068)
Amortisation and depreciation		(2,724)	(3,190)
Other Income and Expenses		(2,131,423)	(1,099,392)
Finance income		21,944	3,567
Finance costs		(635,238)	(459,982)
Net Finance Income		(613,294)	(456,415)
Profit/(loss) before income tax		1,071,634	(44,109)
Income tax benefit/(expense)	7	(262,762)	8,979
Net profit/(loss) for the year		**808,872**	**(35,130)**
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to the ordinary equity holders of the Company		**808,872**	**(35,130)**
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share for the financial year (cents)	23	0.88	(0.04)
Diluted earnings per share for the financial year (cents)	23	0.86	N/A*

*Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	3,516,123	264,851
Trade and other receivables	9	245,993	172,225
Inventories	10	12,211,645	17,991,054
Assets classified as held for sale	11	-	7,300,000
Other current assets	12	121,460	5,699
Total Current Assets		16,095,221	25,733,829
NON-CURRENT ASSETS			
Trade and other receivables	9	2,500	-
Inventories	10	11,895,236	9,175,186
Deferred tax assets	7	90,270	-
Property, plant & equipment	14	19,309	9,474
Total Non-Current Assets		12,007,315	9,184,660
TOTAL ASSETS		28,102,536	34,918,489
CURRENT LIABILITIES			
Trade and other payables	15	1,081,959	2,437,953
Income tax payable	7	382,598	56,270
Employee benefits	16	5,362	13,363
Borrowings	17	11,235,000	12,015,442
Borrowings directly associated with assets classified as held for sale	17	-	4,340,000
Total Current Liabilities		12,704,919	18,863,028
NON-CURRENT LIABILITIES			
Other payables	15	2,500	-
Deferred tax liabilities	7	146,549	131,275
Borrowings	17	3,500,000	5,010,000
Total Non-Current Liabilities		3,649,049	5,141,275
TOTAL LIABILITIES		16,353,968	24,004,303
NET ASSETS		**11,748,568**	**10,914,186**
EQUITY			
Contributed equity	18	10,601,073	10,601,073
Other reserves	19	54,738	29,228
Retained earnings	20	1,092,757	283,885
TOTAL EQUITY		**11,748,568**	**10,914,186**

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Contributed Equity $	Other Reserves $	Accumulated Losses/Retained Earnings $	Total $
Balance at 30 June 2015	9,351,073	29,228	319,015	9,699,316
Loss for the year	-	-	(35,130)	(35,130)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(35,130)	(35,130)
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary shares, net of transaction costs	1,250,000	-	-	1,250,000
Balance at 30 June 2016	**10,601,073**	**29,228**	**283,885**	**10,914,186**
Balance at 30 June 2016	10,601,073	29,228	283,885	10,914,186
Profit for the year	-	-	808,872	808,872
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	808,872	808,872
Transactions with equity holders in their capacity as equity holders:				
Equity-settled share-based payment	-	25,510	-	25,510
Balance at 30 June 2017	**10,601,073**	**54,738**	**1,092,757**	**11,748,568**

The Consolidated Statement of Changes in Equity is to be read in conjunction with accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts in the course of operations		17,412,842	1,497,389
Payments in the course of operations		(7,361,578)	(14,350,432)
Payments for property held for development		(5,577,492)	(1,531,453)
Interest received		21,944	3,567
Interest paid		(1,953,036)	(430,904)
Income tax refund/(paid)		2,649	(29,939)
Net cash inflow/(outflow) from operating activities	27	2,545,329	(14,841,772)
Cash flows from investing activities			
Payments for property, plant and equipment		(12,559)	-
Proceeds from sale of investment property (held for sale) (net of costs)		7,153,750	-
Net cash inflow from investing activities		7,141,191	-
Cash flows from financing activities			
Proceeds from the issue of share capital		-	1,250,000
Proceeds from borrowings		16,180,319	18,850,248
Repayment of borrowings		(22,615,567)	(5,865,000)
Net cash inflow/(outflow) from financing activities		(6,435,248)	14,235,248
Net increase/(decrease) in cash and cash equivalents		3,251,272	(606,524)
Cash and cash equivalents at 1 July		264,851	871,375
Cash and cash equivalents at 30 June	8	**3,516,123**	**264,851**

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Mustera Property Group Ltd (**Mustera** or **Parent Entity**) is a listed public company limited by shares, incorporated and domiciled in Australia.

The financial statements cover Mustera Property Group Ltd as a consolidated entity consisting of Mustera and its subsidiaries. The financial statements are presented in Australian dollars, which is Mustera's functional and presentation currency.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2017. The directors have the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Going Concern

The financial report has been prepared on a going concern basis which assumes realising its assets and extinguishing its liabilities in the normal course of business.

The Group had cash and cash equivalent of $3,516,123 and net working capital of $3,390,302 as at 30 June 2017. Since then, the Group's purchase of properties located in Applecross, WA (refer Note 30 for further details) has continued to drawdown its cash balance and working capital. The Directors consider there are reasonable grounds to believe that the Company will be able to continue as a going concern after consideration of the following factors:

- Subsequent to the reporting date, three more residential apartments in the Victoria Quarter project have been put under contract with expected total revenue of $1.1 million. The Directors are confident that the sales of the Group's development properties will continue which will improve the Group's cash and working capital positions.
- Subsequent to the reporting date, the Group has received waiver from Commonwealth Bank of Australia for the technical breach of a loan covenant which resulted in the full amount of the loan balance, of $2,700,000, being classified as current at 30 June 2017 (refer Note 17 for further details), this waiver confirmed no change to principal repayments from the original agreement.
- Subsequent to the reporting date, the Group has secured an extension of terms on one of the short-term bridge loans (loan balance of $1,500,000 which is classified as a current liability as at 30 June 2017), delaying the loan repayment date from December 2017 to October 2018.
- The Directors are confident that the 11 million options expiring in January 2018 will be exercised on or before their expiry date and will result in further cash inflow for the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors believe that the above demonstrate that the Group will be able to pay their debts as and when they fall due and to continue as a going concern. Accordingly, the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the 2017 financial report.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mustera Property Group Ltd ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Mustera Property Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Inventory

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

Rent Income and recoverable outgoings

Rent revenue comprises rent received and receivable, and recoverable outgoings charged to tenants in accordance with the lease agreements. Rental revenue from investment properties and inventories is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

(a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

(a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

The Group has unused tax losses, which have been offset against the deferred tax liabilities recognised in the accounts.

Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Property Development

Inventories are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development and borrowing costs during development. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated statement of profit or loss and other comprehensive income. Reversals of previously recognised impairment charges are recognised in the consolidated income statement such that the inventory is always carried at the lower of cost and net realisable value. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Inventory is classified as current when development is expected to be sold in the next 12 months.

Investment properties

Investment property is property which is held either to earn income or for capital appreciation or both. Investment property also includes properties that are under construction for future use as investment properties. Initially, investment property is measured at cost including transaction costs. The investment property is subsequently measured at fair value, with any change therein recognised in profit or loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and experience in the location and category of property being valued, values individual properties periodically as considered appropriate and as determined by management. Acquisition of investment property is not accounted for as a business combination.

In addition, the Group may utilise internal valuation processes for determining fair value at reporting date. These valuation processes are taken into consideration when determining the fair value of the investment properties. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared by considering the capitalisation of net income and the discounting of future cash flows to their present value. These methods incorporate assumptions of future rental income and costs, appropriate capitalisation and discount rates and also consider market evidence of transaction prices for similar investment properties.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness;
- the allocation of maintenance and other operating cost responsibilities between lessor and lessee; and
- the remaining economic life of the property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated under diminishing balance method to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- Furniture & fittings 3-20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings.

Leases as lessee

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Basic earnings per share is calculated by dividing the net earnings attributable to members of the Company for the reporting period by the weighted average number of ordinary shares of the Company.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

New accounting standards and interpretations that are not yet mandatory

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They have not been applied in preparing this financial report:

(i) *AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(ii) *AASB 15 – Revenue from contracts with customers and AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15*

This standard and the amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and an entity will recognise revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards. The Group is yet to fully assess the impact of this standard.

(iii) *AASB 16 Leases*

This standard is effective for periods beginning on or after 1 January 2019 and is available for early adoption. Under this standard the lessees will no longer be required to classify leases as either operating or finance leases. Lessees will recognise all leases in the statement of financial position (subject to limited exemptions) in a similar manner to exiting finance leases. The requirements for lessor accounting have been carried forward from AASB 117 Leases largely unchanged. The consolidated entity will adopt this standard and the amendments from 1 July 2019 but the impact of its adoption is yet to be assessed.

(iv) *AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax for Unrealised Losses*

These amendments clarify some issues regarding recognition and measurement of deferred tax assets and are applicable to annual reporting periods beginning on or after 1 January 2017. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed.

(v) *AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*

These amendments require entities to disclose a reconciliation of cash and non-cash movements in liabilities arising from financing activities and a reconciliation for movements in financial assets used to hedge liabilities arising from financing activities. The standard is applicable to annual reporting periods beginning on or after 1 January 2017. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment of non-current assets

The consolidated entity assesses impairment of non-current assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. None of the consolidated entity's non-current assets indicated any impairment trigger during the year.

Classification of properties

The group makes judgements in respect of the classification of properties as investment property or inventory depending on the Group's intended use of the property. Properties held either to earn income or for capital appreciation or both are classified as investment property. Properties held with the intension of redevelopment and sales of developed products are classified as inventory. The accounting treatments of investment property and inventory are different. Subsequent re-classification of properties may affect the carrying value of a property. Refer to Note 10 and Note 13 of the financial statements for further details on the Group's inventories and investment properties. There was no re-classification of properties during the reporting period.

Valuation of investment properties held at fair value

The Group makes judgements in respect of the fair value of investment properties. The fair value of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. They key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price, including but not limited to the fluctuations in the property market. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold when the properties are sold.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting periods but may impact profit or loss and equity.

3. SEGMENT INFORMATION

Identification of reportable operating segments

The consolidated entity has identified two reportable segments, being property investment and property development. The identification of reportable segments is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Accounting policies

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Segment information

30 June 2017	Property Investment $	Property Development $	Other* $	Group $
Segment revenue and other income	90,716	17,338,812	41,100	17,470,628
Interest expenses	33,557	588,425	130	622,112
Segment result	(199,736)	1,428,247	(419,639)	808,872
Segment assets	-	24,512,361	3,590,175	28,102,536
Segment liabilities	-	16,293,352	60,616	16,353,968
30 June 2016				
Segment revenue and other income	734,396	773,630	57,239	1,565,265
Interest expenses	(187,750)	(202,873)	(2,220)	(392,843)
Segment result	78,062	(91,172)	(22,020)	(35,130)
Segment assets	7,400,000	27,200,227	318,262	34,918,489
Segment liabilities	4,508,806	19,398,850	96,647	24,004,303

* *This column includes head office and group services which are not allocated to any reportable segment.*

Major customers

The Group had one major customer for the year who contributed to more than 10% of the Group's total revenue. Total revenue received from the major client was $2,350,000 which was included in the Property Development segment.

Revenue from major customers for previous financial year is outlined below:

Major Customer	Operating Segments 2016	Revenue 2016
Customer #1	Property Development	$297,892
Customer #2	Property Investment	$684,396
Customer #3	Property Development	$464,514

	2017 $	2016 $
4. AUDITOR'S REMUNERATION		
The following fees were paid or payable for the services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, and its related practices:		
Audit and review services		
BDO Audit (WA) Pty Ltd		
Audit or review of financial statements	35,273	28,154
Other Services		
Auditors' related practice – BDO Corporate Tax (WA) Pty Ltd		
Tax compliance services	27,189	-
	62,462	**28,154**

5. REVENUE

	2017 $	2016 $
Sale of inventory	16,466,310	-
Rental income and recoverable outgoings	982,374	1,511,698
	17,448,684	**1,511,698**

6. OTHER INCOME

	2017 $	2016 $
Net changes in fair value of investment properties	-	50,000
	-	**50,000**

7. INCOME TAX

(a) Income tax expense

	2017 $	2016 $
Current tax expense	394,124	(56,270)
Deferred tax expense	(74,996)	65,249
Over provision in prior years	(56,366)	-
	262,762	**8,979**

(b) Numerical reconciliation between tax expense and pre-tax net profit

	2017 $	2016 $
Profit/(loss) before income tax expense	1,071,634	(44,109)
Income tax benefit/(expense) calculated at the rate noted in (d) below	294,699	12,571
Change in Tax Rates	(1,267)	-
Effect of non-deductible items	7,695	(1,377)
Other deductible items	-	10,274
Change in recognised deductible temporary differences	-	6,794
Decrease/(increase) in deferred tax balances not previously recognised	18,001	-
Decrease/(increase) in deferred tax balances not recognised	-	(19,283)
Current period income tax expense	319,128	8,979
Over provision in prior years	(56,366)	-
Income tax expense	**262,762**	**8,979**

(c) Deferred tax assets and liabilities brought to account

	2017 $	2016 $
The potential tax benefit @ 27.5% (2016: 28.5%) for the following items for which a deferred tax asset has been recognised is as follows:		
Carry forward tax losses	-	115,623
Delayed capital expenditure deduction for tax purposes	38,797	29,004
Delayed borrowing costs deduction for tax purposes	23,826	9,857
Expenditure included in the asset cost base for tax purposes	4,947	12,328
Provisions and accruals	22,699	9,620
Gross deferred tax assets	90,270	176,432
Set off against deferred tax liabilities	-	(176,432)
Net deferred tax assets recognised	90,270	-

7. INCOME TAX (continued)

	2017 $	2016 $
The temporary difference @ 27.5% (2016: 28.5%) relating to the following item for which a deferred tax liability has been recognised is as follows:		
Re-measurement of investment property to fair value	-	304,923
Accelerated capital expenditure deduction for tax purposes	113,260	-
Accelerated prepayment deduction for tax purposes	32,723	1,408
Accelerated depreciation for tax purposes	566	1,376
Gross deferred tax liabilities	146,549	307,707
Set off of deferred tax assets	-	(176,432)
Net deferred tax liabilities recognised	**146,549**	**131,275**

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the Group continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the Group in utilising the benefits.

(d) Deferred tax assets and liabilities not brought to account

	2017 $	2016 $
The potential tax benefit @ 27.5% (2016: 28.5%) for the following items for which no deferred tax asset has been recognised is as follows:		
Carry forward tax losses	54,321	288,815
Delayed capital expenditure deduction for tax purposes	-	314
Delayed borrowing costs deduction for tax purposes	-	23,320
Provisions and accruals	-	1,458
Gross deferred tax assets	54,321	313,907
Set off against deferred tax liabilities	-	(233,949)
Net deferred tax assets not recognised	**54,321**	**79,958**

	2017 $	2016 $
The temporary difference @ 27.5% (2016: 28.5%) relating to the following item for which no deferred tax liability has been recognised is as follows:		
Accelerated capital expenditure deduction for tax purposes	-	233,681
Accelerated prepayment deduction for tax purposes	-	216
Accelerated depreciation for tax purposes	-	52
Gross deferred tax liabilities	-	233,949
Set off of deferred tax assets	-	(233,949)
Net deferred tax liabilities not recognised	**-**	**-**

(e) Tax Rate

The domestic effective tax rate of Mustera Property Group Ltd is 27.5% for the year ended 30 June 2017 (2016: 28.5%)

8. CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and in hand	**3,516,123**	**264,851**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

	2017 $	2016 $
9. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	93,388	34,757
Sundry debtors	2,605	-
Income tax refundable	-	14,079
Deposit for purchase of property	150,000	100,000
Security deposit – office lease	-	23,389
	245,993	**172,225**
Non-current		
Security deposit – carpark lease	2,500	-
	2,500	**-**

No receivables were past due but not impaired. The Group's exposure to credit risk related to trade and other receivables is disclosed in Note 29.

10. INVENTORIES

	2017 $	2016 $
Current		
Land and property held for development and resale (at cost)	12,211,645	17,991,054
Non-current		
Land and property held for development and resale (at cost)	11,895,236	9,175,186
Total inventories	**24,106,881**	**27,166,240**

(a) Movement in inventories

	2017 $	2016 $
Balance at 1 July	27,166,240	9,999,447
Additions at cost	5,400,000	1,450,000
Acquisition transaction costs	277,492	75,043
Capitalised development costs	4,133,224	15,245,479
Capitalised borrowing costs	668,670	396,271
Sales of inventory	(13,538,745)	-
Balance at 30 June	24,106,881	27,166,240

(b) Assets pledged as security

Some of the Group's Borrowings (refer Note 17) are secured by registered mortgage over properties classified as inventory plus fixed and floating charges over all the assets and undertakings held by the Group.

11. ASSETS CLASSIFIED AS HELD FOR SALE

	2017 $	2016 $
Non-current assets held for sale	**-**	**7,300,000**

In January 2016, the directors of the Company decided to sell a parcel of land and property located in Smithfield, NSW which was originally acquired as investment property (**Smithfield Property**). In July 2016 the Company entered into a contract for the sale of the Smithfield Property for a price of $7.3 million, which was settled on 30 August 2016. The asset was presented within total assets of the Property Investment segment in Note 3.

12. OTHER CURRENT ASSETS

	2017 $	2016 $
Prepaid Insurance	13,991	5,699
Prepaid interest	105,000	-
Other prepayments	2,469	-
	121,460	5,699

		2017 $	2016 $
13. INVESTMENT PROPERTY			
Investment property at fair value		-	-
(a) Movement in investment property			
Balance at 1 July		-	7,250,000
Net gain from fair value adjustments		-	50,000
Classified as held for sale		-	(7,300,000)
Balance at 30 June		-	-
(b) Amounts recognised in profit or loss for investment property			
Rental income		-	560,320
Fair value gain recognised in other income		-	50,000
14. PROPERTY, PLANT & EQUIPMENT			
Office furniture & equipment – at cost		31,672	19,113
Less: Accumulated depreciation		(12,363)	(9,639)
		19,309	**9,474**
Reconciliations of carrying amount			
Office furniture & equipment			
Balance at 1 July		9,474	12,664
Additions		12,559	-
Depreciation		(2,724)	(3,190)
Balance at 30 June		19,309	9,474
15. TRADE AND OTHER PAYABLES			
Current			
Trade creditors and accruals		1,070,388	2,132,653
Interest payable		11,571	305,300
		1,081,959	**2,437,953**
Non-current			
Tenant security deposits		**2,500**	**-**

The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 29. The carrying amount of trade and other payables approximates its fair value.

		2017 $	2016 $
16. EMPLOYEE BENEFITS			
Provision for annual leave entitlements		**5,362**	**13,363**
Balance brought forward		13,363	8,649
Movement during the year		(8,001)	4,714
Balance carried forward		5,362	13,363
17. LOANS & BORROWINGS			
Current			
Loans and commercial overdraft from financial institutions	(a)	11,235,000	12,015,442
Loans directly associated with assets held for sale	(a)	-	4,340,000
		11,235,000	**16,355,442**
Non-current			
Loans from financial institutions	(a)	**3,500,000**	**5,010,000**

17. LOANS & BORROWINGS (continued)

(a) Loans from financial institutions

Facility	Secured	Maturity Date	Facility limit 2017 $	Utilised 2017 $	Facility limit 2016 $	Utilised 2016 $
					-	-
McCabe St Facility[1]	Yes	December 2019	3,375,000	3,375,000	-	-
Haig Park Cir Facility[2]	Yes	April 2018	2,240,000	2,240,000	2,320,000	2,320,000
Belmont Facility[3]	Yes	June 2020	1,950,000	1,950,000	2,100,000	2,100,000
Smithfield Facility[4]	Yes	June 2019	-	-	4,340,000	4,340,000
Helena St Facility[5]	Yes	June 2018	670,000	670,000	670,000	670,000
Foundry Rd Facility[6]	Yes	September 2017	-	-	16,050,000	8,935,442
Sterlink Facility[7]	Yes	May 2017	-	-	3,000,000	3,000,000
Anrinza private loan[8]	No	May 2020	3,500,000	3,500,000	-	-
Short-term bridge loans[9]	Yes	December 2017	3,000,000	3,000,000	-	-
				14,735,000		21,365,442

1) This facility is secured by first registered mortgage over the McCabe St property held by the Company's 100% owned subsidiary, Riversea Property Holdings Pty Ltd (**Riversea**), and first ranking charge over all present and after acquired property of Riversea. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of $675,000 is required by 31 December 2017. During the year there a technical breach of a loan covenant (2016: nil) for the McCabe St facility (30 June 2017 balance: $3,375,000). Whilst this loan is not payable until December 2019, the loan is required to be classified as a current liability under AASB 101 as the Group did not have a covenant waiver in place at 30 June 2017. This waiver was subsequently granted by the Commonwealth Bank of Australia on 22 August 2017.
2) This facility is secured by first registered mortgages over the East Perth property held by the Company's 100% owned subsidiary, Claisebrook Holdings Pty Ltd (**Claisebrook**), and first ranking charge over all present and after acquired property of Claisebrook. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of $20,000 is required on quarterly basis until the maturity date.
3) This facility is secured by first registered mortgage over the Belmont property held by the Company and a first ranking charge over all present and acquired property of the Company. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Although the Belmont Facility does not mature until June 2020, the Group intends to put the associated Belmont property on market for sale and expect the property to be sold within the next 12 months after the balance date. The Belmont property and the associated Belmont Facility have therefore been classified as current asset/current liability by the Group as at the reporting date.
4) This facility was repaid during the year following the sale of the Smithfield property.
5) This facility is secured by first registered mortgages over the Helena St Midland property held by the Company's 100% owned subsidiary, Grace Property Holdings Pty Ltd (**Grace**), and first ranking charge over all present and after acquired property of Grace. Mustera has also provided unlimited guarantee for this facility. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
6) This facility was repaid during the year following the sale of the Midland development properties.
7) This facility was repaid during the year following the sale of the Midland development properties.
8) This facility is provided by a major shareholder of the Group and is unsecured and interest free.
9) These loans are secured by first mortgages over selected apartments at Victoria Quarter, Midland held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd. Interest is payable on each advance wholly in advance at a fixed rate.

(b) Fair Value

The fair values of the Group's borrowings are not materially different to their carrying amounts since the interest payable on those borrowings are close to current market rates.

	2017 $	2016 $
18. EQUITY – ISSUED CAPITAL		
91,416,942 (2016: 91,416,942) fully paid ordinary shares	**10,601,073**	**10,601,073**

(a) Ordinary shares

The following movements in ordinary share capital occurred during the financial year:

	2017 Number	2016 Number	2017 $	2016 $
Balance at beginning of year	91,416,942	85,166,942	10,601,073	9,351,073
Issue of shares at $0.20 each on 15 September 2015	-	5,000,000	-	1,000,000
Issue of shares at $0.20 each on 5 May 2016	-	1,250,000	-	250,000
Share issue costs	-	-	-	-
Balance at the end of the year	91,416,942	91,416,942	10,601,073	10,601,073

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

	2017 $	2016 $
19. OTHER RESERVES		
Employee Options Reserve		
Balance at beginning of year	29,228	29,228
Value of options granted during the year (Note 28)	25,510	-
Balance at end of year	**54,738**	**29,228**

The employee options reserve is used to recognise the fair value of options issued for employee services. Refer to Note 28 for further details of value of options granted during the year.

20. RETAINED EARNINGS/ACCUMULATED LOSSES

Retained earnings/(accumulated losses) at the beginning of the year	283,885	319,015
Net profit/(loss) for the year	808,872	(35,130)
Retained earnings at the end of the year	**1,092,757**	**283,885**

21. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

As at balance date, the consolidated entity did not have any assets or liabilities measured or disclosed at fair value.

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Non-current assets held for sale	7,300,000	-	-	7,300,000
Total assets	7,300,000	-	-	7,300,000

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

Transfers between level 1 and 3

There were no movements between different fair value measurement levels during the financial year.

22. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group leases its offices under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2017	**2016**
	$	**$**
Within one year	19,500	1,300
After one year but not more than five years	-	-
	19,500	**1,300**

Capital expenditure commitments

The consolidated entity has entered into an agreement to purchase two properties located in Applecross, WA for the consideration of $7,610,000. Settlement was completed on 16 August 2017.

Rental guarantees

The consolidated entity has provided rental guarantee on certain properties sold by the Group during the year. Maximum amount payable at reporting date under the rental guarantees but not recognised as liabilities are payable as follows:

	2017	**2016**
	$	**$**
Within one year	174,411	-
After one year but not more than five years	87,687	-
	262,098	**-**

Contingencies

The consolidated entity does not have any contingent liabilities at balance and reporting dates.

23. EARNINGS PER SHARE

	2017 $	2016 $
Profit/(loss) after income tax attributable to ordinary shareholders	808,872	(35,130)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	91,416,942	89,323,363
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,200,000	n/a
Weighted average number of ordinary shares used in calculating diluted earnings per share	93,616,942	n/a
	Cents	**Cents**
Basic earnings/(loss) per share	0.88	(0.04)
Diluted earnings per share	0.86	n/a

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the consolidated entity is set out below:

	2017 $	2016 $
Short-term employee benefits	388,974	357,801
Post-employment benefits	36,100	31,350
Share based payments	25,510	-
	450,584	**389,151**

25. RELATED PARTY TRANSACTIONS

(a) Parent entity

Mustera Property Group Ltd is the parent entity.

(b) Subsidiaries

The Group's interests in subsidiaries at 30 June 2017 are set out below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Name of entity	Place of business/country of incorporation	Ownership interest held by the Group 2017	Ownership interest held by the Group 2016	Principal activities
Sterlink Development Pty Ltd	Australia	100%	100%	Property development
Grace Property Holdings Pty Ltd	Australia	100%	100%	Property development
Claisebrook Holdings Pty Ltd	Australia	100%	100%	Property development
Riversea Property Holdings Pty Ltd	Australia	100%	100%	Property development
Apex View Pty Ltd*	Australia	100%	-	Property development
Apex Land Holdings Pty Ltd*	Australia	100%	-	Property development

*Both entities were incorporated during the year.

Loans made by Mustera Property Group Ltd to wholly-owned subsidiaries are contributed to meet required expenditure payable on demand and are not interest bearing.

25. RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel compensation

Disclosures relating to key management personnel are set out in Note 24.

(d) Transactions with related parties

The following transactions occurred with related parties:

Transaction Details	2017 $	2016 $
Payment for property development services from Quintessential Places Pty Ltd (director-related entity of Nicholas Zborowski)	83,580	-
Payment for secretarial services from Anthony Ho & Associates (director-related entity of Anthony Ho)	36,000	36,000
Payment for corporate advisory services from Townshend Capital Pty Ltd (director-related entity of Benjamin Young)	90,000	-
Revenue from sales of inventory to Goodrich Capital Pty Ltd and Kingsfield Pty Ltd (director-related entity of Benjamin Young)	764,900	-

(e) Terms and conditions

Unless otherwise stated, all transactions were made on normal commercial terms and conditions and at market rates.

26. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 $	2016 $
Profit/(loss) after income tax	(823,350)	(97,920)
Total comprehensive income/(loss)	(823,350)	(97,920)

Statement of financial position

	Parent	
	2017 $	2016 $
Total current assets	3,312,614	7,385,492
Total assets	15,924,130	20,841,845
Total current liabilities	2,402,327	7,793,198
Total liabilities	5,904,598	10,024,473
Equity		
Issued capital	10,601,073	10,601,073
Share based payments reserve	54,738	29,228
Retained earnings	(636,279)	187,071
Total equity	10,019,532	10,817,372

26. PARENT ENTITY INFORMATION (continued)

Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to $2,640,000 (2016: $16,720,000), secured by registered mortgages over the freehold properties of the subsidiaries. The parent entity has also provided guarantee in respect of a property lease entered into by its wholly owned subsidiary. No liability was recognised by the parent entity in relation to these guarantees.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

27. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2017 $	2016 $
(a) Cash flows from operating activities		
Profit/(loss) for the year	808,872	(35,130)
Adjustments of non-cash/non-operating items:		
Depreciation	2,724	3,190
Share based payments	25,510	-
Costs of sale of investment property	146,250	-
Net fair value movement on investment properties	-	(50,000)
Operating loss before changes in working capital and provisions	983,356	(81,940)
Change in trade and other receivables	(76,268)	(102,673)
Change in prepayments	(115,761)	(11,087)
Changes in inventories and assets held for sale	3,059,360	(16,572,710)
Change in deferred tax assets	(90,270)	-
Change in trade and other payables	(1,548,687)	1,946,763
Change in provision for income tax	326,327	40,410
Change in deferred tax liabilities	15,273	(65,249)
Change in employee benefits	(8,001)	4,714
Net cash used in operating activities	2,545,329	(14,841,772)

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the financial year (2016: Nil)

28. SHARE BASED PAYMENTS

The following options were granted to directors of the Company during the year:

Class	Grant Date	Expiry Date	Exercise Price	Number of Options
Unlisted Options	21 October 2016	30 September 2021	$0.37	3,000,000

Fair value of options granted

The fair value of options granted during the year was calculated at the date of grant using the Black-Scholes option-pricing model. The following table gives the assumptions made in determining the fair value of options on grant date:

Fair value per option	0.85 cents
Grant date	21 October 2016
Number of options	3,000,000
Expiry date	30 September 2021
Exercise price	$0.37
Price of shares on grant date	$0.245
Estimated volatility	23%
Risk-free interest rate	1.88%
Dividend yield	4%

The expected price volatility is based on the historical volatility of the Company's share price since the shares were listed on ASX in November 2014.

These options have no vesting conditions attached to them and are expensed in full on issue. Total expense recognised as share-based payments for the year was $25,510 (2016: nil).

Set out below are summaries of options granted to directors and employees of the Group:

Grant date	Exercise price	Expiry date	Balance at start of year	Granted during year	Balance at end of year	Vested and exercisable at end of year
2017						
31 January 2014	$0.20	31 January 2018	11,000,000	-	11,000,000	11,000,000
21 October 2016	$0.37	30 September 2021	-	3,000,000	3,000,000	3,000,000
			11,000,000	3,000,000	14,000,000	14,000,000
Weighted Average exercise price			$0.20	$0.37	$0.24	$0.24
2016						
31 January 2014	$0.20	31 January 2018	11,000,000	-	11,000,000	11,000,000
			11,000,000	-	11,000,000	11,000,000
Weighted Average exercise price			$0.20	-	$0.20	$0.20

No options were exercised during the periods covered by the above tables. No options expired or were forfeited during the periods covered by the above tables.

The options outstanding at 30 June 2017 have a weighted average remaining contractual life of 16.43 months (2016: 19 months).

29. FINANCIAL RISK MANAGEMENT

Overview

Risk management is carried out under policies set by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Group. The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk and price risk). The overall risk management strategy focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out under the direction of the Board.

The Group holds the following financial instruments as at 30 June:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	3,516,123	264,851
Trade and other receivables	248,493	158,146
	3,764,616	422,997
Financial liabilities		
Trade and other payables	303,646	2,384,686
Loans and borrowings	14,735,000	21,365,442
	15,038,646	23,750,128

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. There were no changes in the Group's market risk management policies from previous years.

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk.

The Group's loans and borrowings with variable rates which expose the Group to cash flow interest rate risk totalling $8,235,000 as at 30 June 2017 (2016: $18,365,442). These loans are interest only except an agreed principal repayment of $20,000 per quarter. Monthly cash outlays of approximately $30,000 (2016: $34,000) are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points (2016: 100) would have an adverse/favourable effect on profit before tax of $82,350 (2016: $183,654) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

The Group receives interest on its cash management deposits based on daily balances at variable interest rates. The Group's operating accounts do not attract interest.

29. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Group.

The Group's maximum exposure to credit risk at the reporting date was:

	2017 $	2016 $
Cash and cash equivalents	3,516,073	264,811
Trade and other receivables	248,493	158,146
	3,764,566	422,957

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating[1] A-1+	Internally rated[2] No default	Total
At 30 June 2017			
Cash and cash equivalents	3,516,073	-	3,516,073
Trade and other receivables – current	-	245,993	245,993
Trade and other receivables – non-current	-	2,500	2,500
	3,516,073	248,493	3,764,566
At 30 June 2016			
Cash and cash equivalents	264,811	-	264,811
Trade and other receivables – non-current	-	158,146	158,146
	264,811	158,146	422,957

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.
2. Trade and other receivables represent rental income receivables, interest accrued and deposit paid.

Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments: Cash flows for liabilities without fixed amount or timing are based on conditions existing at year end.

30 June 2017	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	303,646	(303,646)	(301,146)	(2,500)	-
Loans and borrowings	14,735,000	(15,395,605)	(6,912,423)	(8,483,182)	-
	15,038,646	(15,699,251)	(7,213,569)	(8,485,682)	-

29. FINANCIAL RISK MANAGEMENT (continued)

30 June 2016	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	2,384,686	(2,384,686)	(2,384,686)	-	-
Loans and borrowings	21,365,442	(23,019,804)	(17,576,692)	(5,443,112)	-
	23,750,128	(25,404,490)	(19,961,377)	(5,443,112)	-

Fair value measurement of financial instruments

Note 21 outlines the Group's approach to fair value assessment of its assets and liabilities. The carrying amounts of the Group's financial instruments are assumed to approximate their fair value due to either their short term nature or their terms and conditions, including interest payable at variable rates. The fair value of the Group's borrowings are not materially different to their carrying amount since the interest payable on those borrowings are close to current market rates.

30. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2017, the Group completed settlement on the acquisition of two adjacent properties in Applecross, Western Australia for a total consideration of $7.61 million. The acquisition was funded by a combination of equity and debt, with Mustera holding an 80% interest in the entity that holds the two properties. To fund the acquisition, the Group took out additional loan facilities totalling $3.44 million from various financial institutions subsequent to 30 June 2017.

On 22 August 2017, the Group received waiver from Commonwealth Bank of Australia for the technical breach of a loan covenant which resulted in the full amount of the loan balance, of $2,700,000, being classified as current at 30 June 2017 (refer Note 17 for further details), this waiver confirmed no change to principal repayments from the original agreement.

On 29 August 2017 the Group secured an extension of terms on one of the short-term bridge loans (loan balance of $1,500,000, which is classified as a current liability as at 30 June 2017, refer Note 17 for further details), delaying the loan repayment date from December 2017 to October 2018.

Other than what has been disclosed in the accounts, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;

(c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(d) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Nicholas Zborowski
Executive Director

31st August 2017
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of Mustera Property Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mustera Property Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventory

Key audit matter	How the matter was addressed in our audit
Note 10 to the financial report discloses the Inventory balance of $24,106,881 as at 30 June 2017, and Note 2 describes the accounting policies and judgements used in accounting for Inventory. Property held for development and resale is treated by the Group as inventories which are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and the borrowing costs incurred during the development of each asset. This is considered a key audit matter as the determination of net realisable value of the inventories is affected by subjective elements included in development costs and projected revenues over the assumed development life of each asset. The assets values are subject to impacts of changes in the underlying economic environment and market forces.	Our audit procedures included, but were not limited to: • Obtaining position papers provided by management to support the carrying value of the individual properties and analysing the evidence provided and assumptions used in the valuation, including corroborating with external market data where appropriate; • Considering the impact of sales achieved subsequent to year end for developed properties against forecast future sales; • Reviewing publicly available property price data for the areas were the Group holds inventory and compared to management's NRV assessment; • Challenging the methodology used by management to allocate costs to developed properties which are currently available for sale and have been sold during the year; • Comparing net realisable value to the carrying amount of the properties to assess for impairment; and • Assessing the adequacy of the disclosures in Note 2 and Note 10 to the financial report.

Going Concern

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 2 to the financial report, the Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgments which includes the timing of future cash flows, operating results and underwritten options being exercised in the period. This area is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern.	Our audit procedures included, but were not limited to: • Obtaining and evaluating the cash flow forecast prepared by management to support their assessment of preparing the financial statements on a going concern basis and comparing to contractual obligations; • Obtaining correspondence from financial institutions regarding compliance with covenants; • Obtaining all sales agreements for current inventories which were executed subsequent to the reporting date and compared to management's cash flow forecast; • Assessing the assumption of contribution of equity including the conversion of options expiring in the coming 12 months; • Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions and assessing the resulting impact on the ability of the Group to pay debts as and when they fall due and continue as a going concern. • Obtaining agreements relating to the extension of financing facilities; and • Assessing the adequacy of the Groups related disclosures included in Note 2 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Mustera Property Group Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 31 August 2017

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF MUSTERA PROPERTY GROUP LIMITED

As lead auditor of Mustera Property Group Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mustera Property Group Ltd and the entities it controlled during the period.

Glyn O'Brien

Partner

BDO Audit (WA) Pty Ltd

Perth, 31 August 2017

ADDITIONAL INFORMATION

Details of shares and options as at 28 August 2017:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 28 August 2017 were:

Fully paid ordinary shares - quoted

	Name	No. of Shares	%
1.	Wonder Holdings Pty Ltd	28,166,666	30.81
2.	Anrinza Future Pty Ltd	27,000,000	29.54
3.	QP & Co Pty Ltd <Quppi Family A/C>	5,063,333	5.54
4.	Willy Masturi <W E Masturi Family A/C>	4,600,000	5.03
5.	M Peters Simanjuntak	4,200,000	4.59
6.	Wise Day Holdings Ltd	3,333,333	3.65
7.	Mr Willy Masturi <W E Masturi Family A/C>	2,000,000	2.19
8.	Hox5 Pty Ltd <A&K Superannuation Fund>	2,000,000	2.19
9.	Robert Ang	1,726,668	1.89
10.	TZE Fong Gan	1,400,000	1.53
11.	GTO Group Corp	1,250,000	1.37
12.	Sufenty	1,206,295	1.32
13.	Sanny Nanang	1,010,000	1.11
14.	Ms Monika Adya Pratignyo	525,000	0.57
15.	Mrs Yoanne Yang Kamarga	500,000	0.54
16.	Mr Linus Ning-Li Tan	500,000	0.54
17.	Ms Sieo Yock Neo	500,000	0.54
18.	Kim Allison Hall	401,539	0.44
19.	Mr Santoso Johan	400,000	0.44
20.	Mutual Street Pty Ltd	389,995	0.43
		86,172,829	94.26

Registered holders holdings 20% or more of each class of unquoted equity security as at 28 August 2017 were:

Options exercisable at $0.20 each on or before 31 January 2018 – unquoted

Name	No. of Options	%
N Zborowski	5,000,000	45.45
C O Kon	5,000,000	45.45

Options exercisable at $0.37 each on or before 30 September 2021 – unquoted

Name	No. of Options	%
N Zborowski	1,000,000	33
B Young	1,000,000	33

Distribution schedules

A distribution schedule of each class of equity security as at 28 August 2017:

	Fully paid ordinary shares			*Options exercisable at $0.20 on or before 31 January 2018*			*Options exercisable at $0.37 on or before 30 September 2021*		
Range	**Holders**	**Units**	**%**	**Holders**	**Units**	**%**	**Holders**	**Units**	**%**
1 - 1,000	9	161	0.00	-	-	-	-	-	-
1,001 - 5,000	2	8,000	0.01	-	-	-	-	-	-
5,001 - 10,000	81	805,344	0.88	-	-	-	-	-	-
10,001 - 100,000	54	2,099,329	2.30	-	-	-	-	-	-
100,001 - Over	29	88,504,108	96.81	3	11,000,000	100	4	3,000,000	100
Total	175	91,416,942	100.00	3	11,000,000	100	4	3,000,000	100

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Wonder Holdings Pty Ltd	26,666,666
Anrinza Future Pty Ltd	25,500,000
Willy Masturi <W E Masturi Family A/C>	6,600,000
QP & Co Pty Ltd	5,063,333

Restricted securities

As at 28 August 2017, the Company had no restricted securities.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1,785 shares as at 28 August 2017):

Holders	Units
9	161

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Principles of Good Corporate Governance and Recommendations

The Board has adopted and approved the Company's Corporate Governance Statement, which can be found on the Company's website at http://mustera.com.au/corporate-governance.